USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 3/30/2010
GAIN Report Number: SY005

Syria

Cotton and Products Annual

Annual

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Report Highlights:
Syria's 2009/2010 cotton crop is estimated at 660,000 metric tons of seed cotton which is grown on 165,000 hectares, slightly less than the previous crop. Lint production is estimated at 220,000 tons. Total domestic lint consumption for yarn spinning is estimated at 180,000 tons. About 40,000 tons of cotton lint are expected to be exported. In 2010/2011, the Cotton Bureau plans for farmers to produce sufficient quantities for local ginning and spinning requirements with some surplus for export. Therefore, the government will need to maintain “bonuses” to farmers for fertilizer and diesel fuel for pumps. Production and exports should be about the same in 2010/2011 as the previous year.

Executive Summary:

Cotton production is controlled, to a great extent, by the Cotton Bureau of the Syrian Ministry of Agriculture and Agrarian Reform. The Cotton Bureau sets the total planted areas and encourages early planting and harvesting of seed cotton. When irrigation water is not a constraint and seed cotton procurement prices were reasonable, farmers exceeded the licensed areas and the crop exceeded one million tons of seed cotton. During the last few years, farmers did not fully plant the planned areas due to water constraints, increasing cost of production and low procurement prices. The government sets the prices for buying seed cotton from the farmers. The price was increased for the 2008/2009 crop, but was not considered to be high enough by farmers, especially when diesel prices were increased by 257 percent in May 2008. Fertilizer prices were liberalized in 2009, adding greatly to the cost of production. The 2009/2010 crop is estimated at 660,000 MT of seed cotton. This is 25 percent below the production plan. Cotton lint production is estimated at approximately 220,000 MT. Spinning facilities are not sufficient to process the entire crop. Only 180,000 MT of cotton lint are utilized locally for yarn production. The balance of the crop is exported. Syria needs more than its current spinning capacity to process all the cotton lint production in normal years. More importantly, Syria needs to gain the value added in exporting yarn and textiles versus cotton lint. Farmers consider the procurement prices for seed cotton to be low especially after factoring in the increased cost of production. Syria plans to plant enough cotton in 2010 to run its spinning mills with some exportable surplus. To achieve this plan, the government is paying a special bonus to compensate farmers that run their irrigation pumps on diesel fuel. An additional bonus is paid to compensate farmers for the increased cost of fertilizers.

Commodities:

Cotton

Production:

Cotton is planted in the north, east, and central parts of Syria. Only upland cotton is produced in Syria. All cotton is irrigated, and no alternative crop during this time of the year has provided an attractive return in the past. The government-set prices are not considered to be good enough to provide an acceptable income to the farmers after the increase in diesel price in 2008 and fertilizer prices in 2009. The government had to give cotton producers a bonus if they used diesel to run their irrigation pumps and also another bonus to compensate them for the increased cost of fertilizers to keep them competitive in cotton production. This is contrary to the old pricing policy when farmers used to exceed their licensed planting permits. The major planted varieties are Aleppo 40, which was developed by the Cotton Bureau in Aleppo, in the early eighties, and the more recently developed varieties which are Aleppo 90, Aleppo 33/1, Aleppo 118, Raqa 5 and Deir-ez-Zor 22. The most common staple is 1 1/32" to 1 1/16". The Cotton Bureau is introducing new varieties especially for drought resistance and high temperature tolerance in certain parts of the country. Cotton is planted in April-May and harvested in

September-December. The Cotton Bureau encourages early planting and harvesting by paying a higher price for early deliveries. In 2009-2010, cotton lint production is estimated at 220,000 MT produced from 165,000 hectares. This is 25 percent below the production plan. The big increase in diesel fuel cost and the liberalization of fertilizer prices in 2009 were the major reasons behind not reaching the production plan. The government offered to compensate farmers who pump irrigation water by using diesel run engines and give them an additional bonus of 2,500 Syrian pounds per dunum (543 dollars per hectare). The government is also paying cotton producers 800 Syrian pounds per dunum (174 dollars per hectare) to compensate for the increase in fertilizer prices. If the farmer does not sell his crop to the Cotton Bureau, he is not entitled to get the bonuses. CMO used to buy about 97 percent of the seed cotton crop in the past. The balance of the crop is sold to the owners of private gins. Syrian cotton quality is considered to be of a high standard as the entire crop is hand picked. No major incidences of insect or disease infestation were reported in 2009.

The CMO purchased about 635,000 MT of seed cotton from the 2009-2010 crop. In addition to CMO purchases from the farmers, an estimated 25,000 - 35,000 MT of the crop are processed locally in the villages instead of being delivered to the government gins. The procurement prices for licensed areas in 2009/2010 were increased to 42 SP per kilogram for seed cotton delivered by the middle of November 2009, and a lower price, 39 SP per kilogram, for seed cotton delivered between November 16 and December 20. Cotton producers who exceed the planned licensed areas are paid 14.40 SP/kilogram of seed cotton (bank exchange rate is currently 46 SP/USD, free market rate is the same). This method of pricing encourages the farmer to plant early and harvest the crop as early as possible. It should also deter farmers from planting cotton without a license.

The Cotton Bureau plan for 2010/2011 has been not yet been released. However, the Cotton Bureau is not considering increasing cotton production over the current level due to water shortages and to the fact that exporting cotton lint, at the current international prices, is below the cost of production. Syria plans to produce enough cotton to provide raw materials for its spinning facilities. Ginning mills can gin larger quantities of seed cotton. The ending stock level or prevailing international cotton lint prices do not have any impact on the decision of area to be planted to cotton and the amount of seed cotton to be produced.

Cotton is still considered a “strategic” crop in Syria because about 20 percent of the population is said to be involved in cotton production, processing and trading in its byproducts. A significant amount of money is spent by the government to keep its cotton production.

Consumption:

Domestic consumption of cotton from the 2009/2010 season is forecasted at 180,000 tons of cotton lint, of which approximately 160,000 MT are consumed by spinning facilities that are monopolized by the public sector. The private sector utilizes approximately 10,000 – 20,000 MT of lint for the production of mattresses, pillows, baby diapers and other sanitary products.

The government's goal is to increase production of cotton yarn and textiles and to increase exports of these products in lieu of cotton lint. The CMO sells cotton lint to the spinners at the international price, which is reset monthly. Without expanding spinning, Syria will have to continue to export a small part of its cotton lint production. The CMO markets cotton lint. Selling prices of cotton lint, yarn and textiles are not available.

According to private trade sources, the quality of the cotton yarn produced from the old spinning facilities requires much improvement. Such improvement cannot be achieved with the antiquated spinning facilities that are still operated by the public sector monopoly since the 1960's. The government established five new modern spinning mills. Syria requires additional new mills to replace the old ones and to be able to process the cotton lint that is in surplus to the local spinning capacity in normal production years. The private sector is permitted to produce yarn from synthetic fiber. The private sector has been also permitted to spin cotton as a part of an integrated industry to produce garments from cotton lint. If the private sector is permitted to spin cotton yarn, local cotton lint consumption will increase and Syria will export high quality cotton yarn instead of cotton lint.

Garments have been permitted to be imported. The private sector produced 97 percent of the total underwear garments in 2007 and 99 percent of outer garments versus 3% and 1% respectively for the public sector. Production levels in 2008 and 2009 are not yet available. The role of the private sector is increasing in the underwear production industry. According to the Central Bureau of Statistics, the production of underwear and outer garments by the public sector decreased in 2008 as compared to 2007.

The Syrian textile industry is facing many difficulties, especially competition from the newly approved Chinese imports, the high cost of production and the low purchasing power of the average Syrian. Many textile factories are reported to be closing down in Aleppo, the major cotton textile industrial city in Northern Syria.

Trade:

Export Trade Matrix **Syria (1000 480 lb. Bales)**			
Time Period: MY			
Exports for:	**2007**		**2008**
U.S.	0	U.S.	0
Others		Others	
Turkey	7	Algeria	55
Switzerland	11	Iraq	14
England	8		
France	8		
Spain	23		
Tunisia	14		
Total for Others	64		69
Others not Listed	136		115
Grand Total	200		184

Source: For 2007: Cotton Bureau Report No. 1051. For 2008: Press reports

Syria does not import any cotton lint. The CMO exports cotton lint in excess of domestic needs. Cotton lint exports usually rank third after petroleum and sheep. Cotton lint exports have been declining over the last few years due to the decrease in cotton production and the increase in spinning capacity. Syria's major export markets for cotton lint are Turkey, Egypt, Japan, Korea and China. Details about export contracts and actual exports are not available. Syria usually suffers from low international cotton lint prices compared to the local cost of production. The marketing season for cotton lint goes as long as 22 months from the beginning of the harvesting season. The Cotton Bureau stopped issuing its monthly cotton report in late 2008. Accordingly, detailed trade data will not be available and will be very late when issued on a calendar year basis.

In the past, cotton yarn, textiles, and garments were not permitted to be imported. In early 2006, most of these products were permitted to be imported. In 2008, Syria imported 218,000 tons of synthetic yarn and about 6000 tons of synthetic cloth. Yarn and textile trade statistics for 2009 are not yet available. In 2007, cotton yarn production is reported at 138,182 MT, five percent below the previous year's production. This decrease is mainly due to the decrease in cotton lint production. Yarn exports were reported at 70,336 MT in 2008. Permitting imports of textiles and garments will force the Syrian manufacturers to improve quality and try to reduce prices. Small inefficient producers were forced out of business due to the competition from imported products which are better in quality and sell at reasonable prices.

Stocks:

In its monthly reports, the Cotton Marketing Organization used to keep its cotton lint stocks to a minimum of a few thousand tons. However, low international cotton lint prices do not usually enable the CMO to export all the desired quantities at the desired time. Farmers retain a small portion of the crop for use in local villages or household industries. The Cotton Marketing Organization bought about 96 percent of the 2009-2010 crop; the balance was sold to illegal private ginners. Products from the illegal gins go toward the local production of mattresses and pillows.

Marketing:

The CMO monopolizes local seed cotton procurement and ginning. This organization also handles the domestic and export marketing of Syria's cotton lint.

Marketing is undertaken by trade delegations sent at the beginning of the marketing season to Syria's traditional export markets. The CMO also maintains agents abroad. With reduction in exportable surplus, trade delegations will concentrate on major buyers.

With the recent price developments and the adverse pricing policy set by the government, it will not be surprising if cotton lint exports cease in a few years.

Barriers to Trade

Syria does not import any cotton lint and does not intend to produce extra long staple cotton in the foreseeable future.

The Syrian government does not officially subsidize cotton lint exports. However, the CMO loses money because international prices for cotton lint are below the domestic cost of production.

According to the new customs tariff issued on July 1, 2006, customs duties on cotton yarn are set at one, ten, and 15 percent depending on the quality of the yarn. Customs duties on cotton textiles are a flat rate of 15 percent. Customs duties on synthetic fiber are set at 1 to 10 percent while duties are set at 10 to 15 percent on textiles made from synthetic fibers.

Production, Supply and Demand Data Statistics:

Cotton Syria	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Aug 2008			Market Year Begin: Aug 2009			Market Year Begin: Aug 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
			Data			Data			Data
Area Planted	0	175	176	0	165	165			165
Area Harvested	190	175	176	180	165	165			165
Beginning Stocks	204	204	204	264	134	245			245
Production	1,110	1,380	1,075	975	1,012	1,012			1,000
Imports	0	0	0	0	0	0			0
MY Imports from U.S.	0	0	0	0	0	0			0
Total Supply	1,314	1,584	1,279	1,239	1,146	1,257			1,245
Exports	250	600	184	200	184	184			184
Use	800	850	850	850	828	828			840
Loss	0	0	0	0	0	0			0
Total Dom. Cons.	800	850	850	850	828	828			840
Ending Stocks	264	134	245	189	134	245			221
Total Distribution	1,314	1,584	1,279	1,239	1,146	1,257			1,245
Stock to Use %	25		24	18		24			22
Yield	1,272		1,330	1,179		1,335			1,320
TS=TD			0			0			0